

# MARKET SURVEY

## ST. JOHN'S NL OFFICES & WAREHOUSES

DECEMBER 2017



Survey Scope: 84 office & 104 warehouse buildings  
3,929,899 ft.<sup>2</sup> of rental office space  
2,520,342 ft.<sup>2</sup> of rental warehouse space  
expert researchers



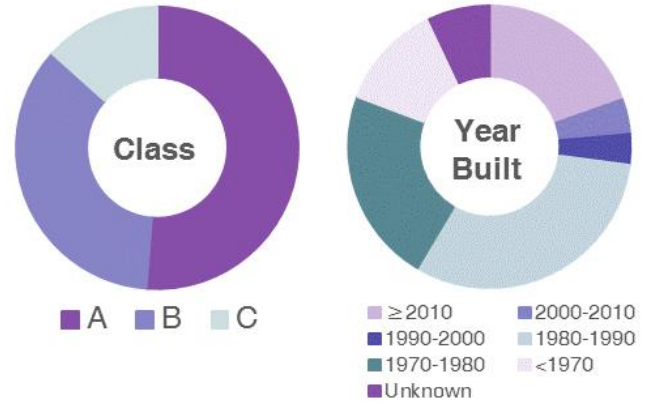
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# DEC. 2017 MARKET SURVEY ST. JOHN'S NL OFFICES

## Year at a Glance

	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	3,811,413	3,929,899	↑ 118,486
Net Absorption (ft. <sup>2</sup> )	(54,060)	1,411	↑ 55,471
Vacancy Rate	12.98%	15.57%	↑ 2.59 pp
Avg. Net Rent/ft. <sup>2</sup>	\$19.05	\$18.81	↓ -1.26%
Avg. RTCAM/ft. <sup>2</sup>	\$11.37	\$10.63	↓ -6.51%
Avg. Gross Rent/ft. <sup>2</sup>	\$29.63	\$29.28	↓ -1.18%

## Overall Office Inventory

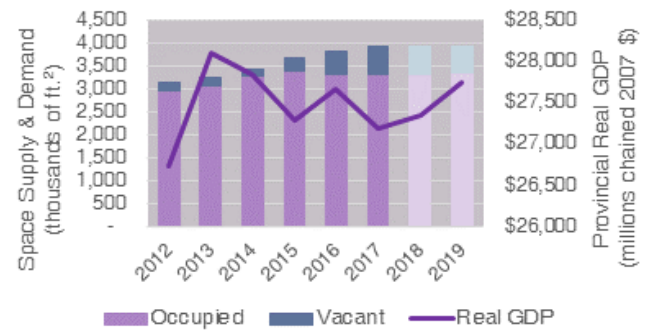


## Supply & Demand Overview

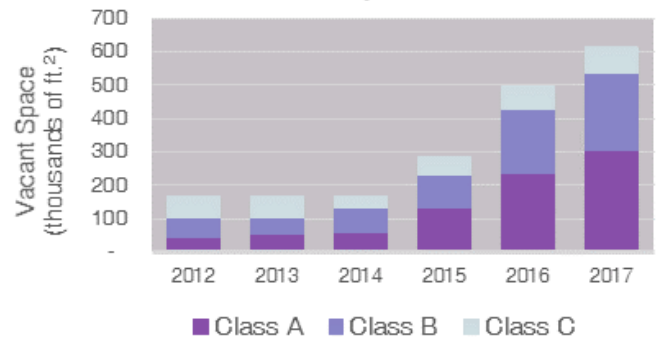
The total amount of rentable office space in St. John's increased 3.11% over last year, due in part to owner occupied space being converted to rental space. The overall vacancy rate increased from 12.98% in 2016 to 15.57% in 2017. The key driver of space demand is the growth in the provincial real (deflated) Gross Domestic Product. Our analysis of GDP projections indicates that 2018 will see GDP increase 0.6%, leading to an increase in demand for office space of 0.3%. The vacancy rate is expected to drop slightly to 15.3%.

Our survey measured vacancy and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. Class B buildings offer "no frills" modern, air conditioned space. Class C buildings make up the remainder of the office rental market. The current vacancy rates by class are: Class A 14.99%; Class B 16.67%; Class C 14.90%; Overall 15.57%. The vacancy rate and net rental rate are inversely correlated: empirical data indicates that generally a falling vacancy rate portends a rising net rental rate, while a rising vacancy rate indicates that net rental rate increases will moderate or even fall. Current average net absolute rental rates per square foot are: Class A \$22.64; Class B \$18.09; Class C \$15.97; Overall \$18.81.

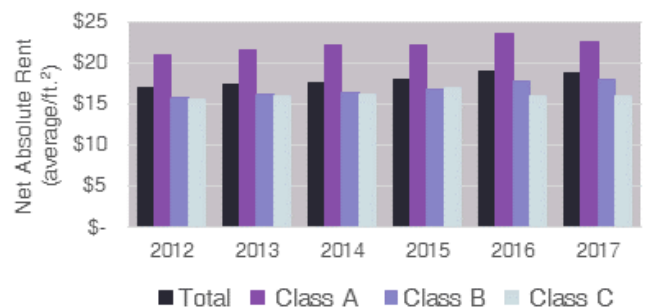
## Supply, Demand & GDP



## Vacant Space



## Net Absolute Rent/ft.<sup>2</sup>

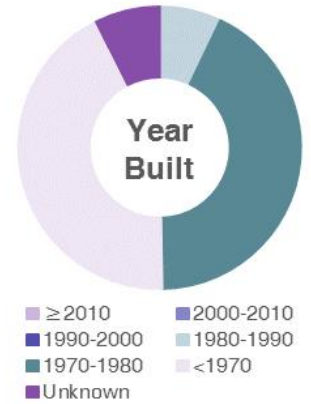
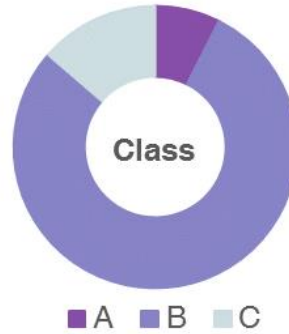


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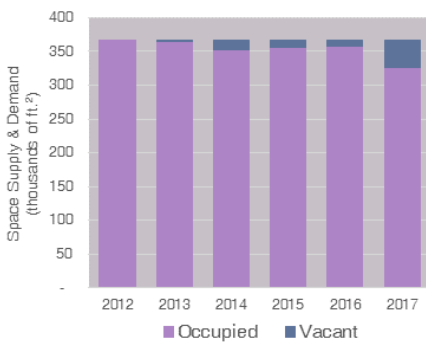
# CENTRAL ST. JOHN'S NL

## Year at a Glance

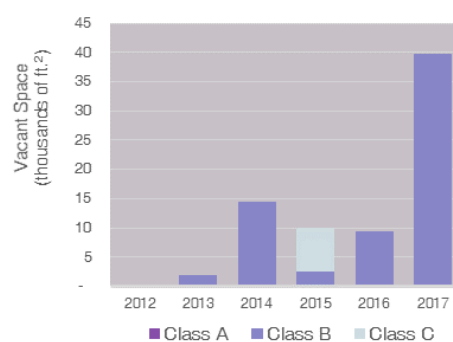
	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	366,804	366,804	↔ ---
Net Absorption (ft. <sup>2</sup> )	631	(30,430)	↓ (31,061)
Vacancy Rate	2.54%	10.83%	↑ 8.30 pp
Avg. Net Rent/ft. <sup>2</sup>	\$16.00	\$16.33	↑ 2.06%
Avg. RTCAM/ft. <sup>2</sup>	\$10.88	\$11.13	↑ 2.30%
Avg. Gross Rent/ft. <sup>2</sup>	\$26.88	\$27.46	↑ 2.16%



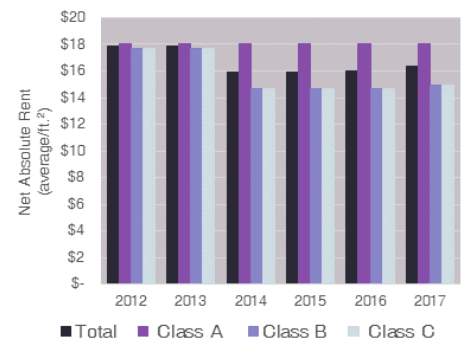
Supply & Demand



Vacant Space



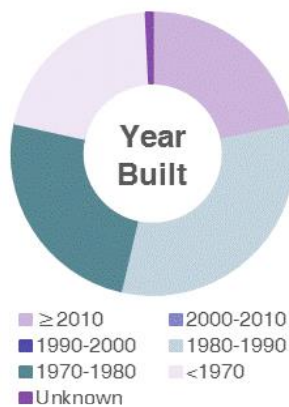
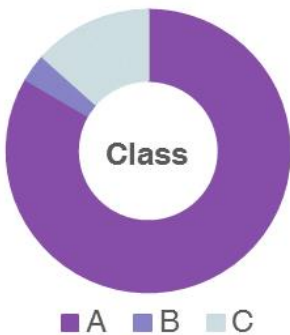
Net Absolute Rent/ft.<sup>2</sup>



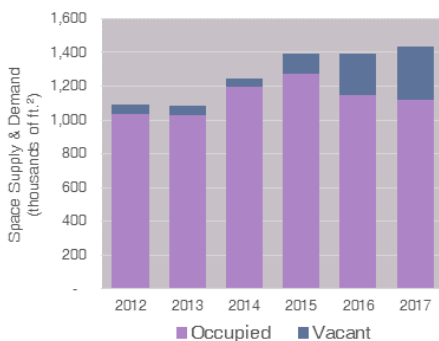
# DOWNTOWN ST. JOHN'S NL

## Year at a Glance

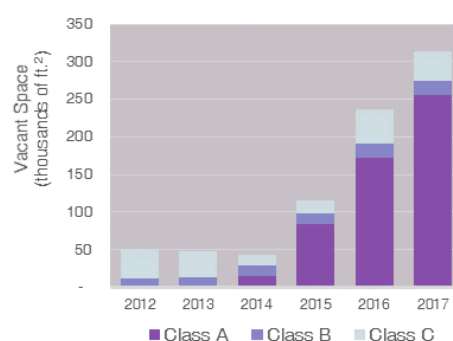
	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	1,389,604	1,432,925	↑ 43,321
Net Absorption (ft. <sup>2</sup> )	(120,301)	(33,544)	↑ 86,757
Vacancy Rate	16.95%	21.81%	↑ 4.85 pp
Avg. Net Rent/ft. <sup>2</sup>	\$21.86	\$20.36	↓ -6.86%
Avg. RTCAM/ft. <sup>2</sup>	\$13.17	\$11.77	↓ -10.63%
Avg. Gross Rent/ft. <sup>2</sup>	\$34.08	\$32.56	↓ -4.46%



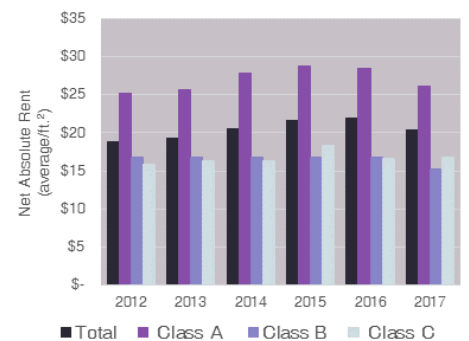
Supply & Demand



Vacant Space



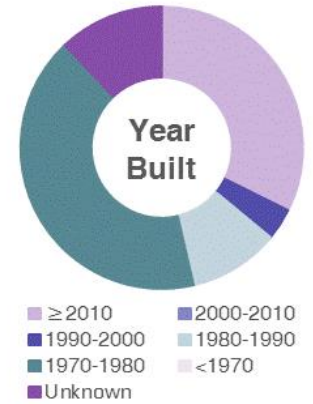
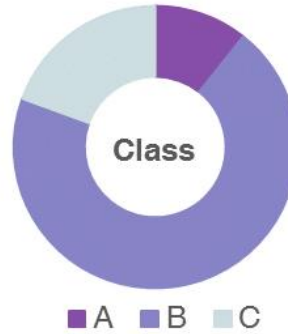
Net Absolute Rent/ft.<sup>2</sup>



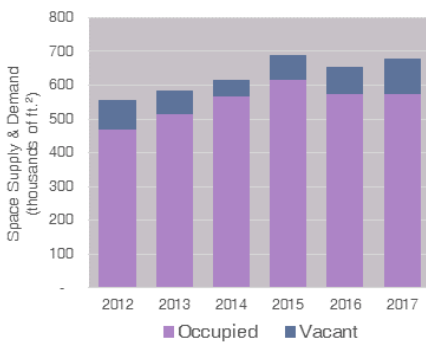
# NORTH ST. JOHN'S NL

## Year at a Glance

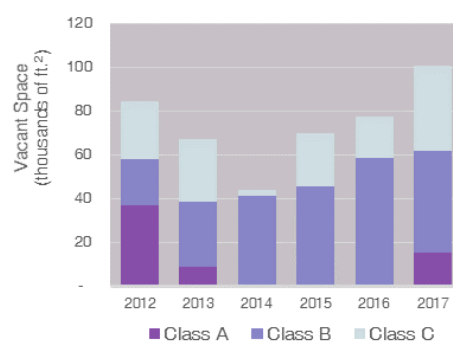
	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	651,397	676,894	↑ 25,497
Net Absorption (ft. <sup>2</sup> )	(44,804)	2,120	↑ 46,924
Vacancy Rate	11.85%	14.85%	↑ 3.01 pp
Avg. Net Rent/ft. <sup>2</sup>	\$18.44	\$18.71	↑ 1.46%
Avg. RTCAM/ft. <sup>2</sup>	\$11.20	\$10.90	↓ -2.68%
Avg. Gross Rent/ft. <sup>2</sup>	\$28.98	\$29.17	↑ 0.66%



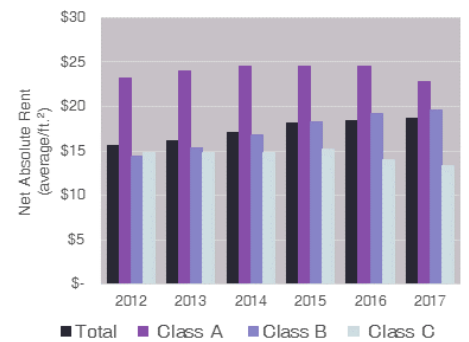
Supply & Demand



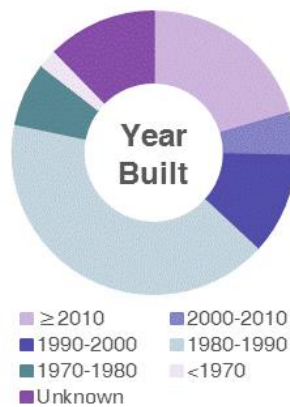
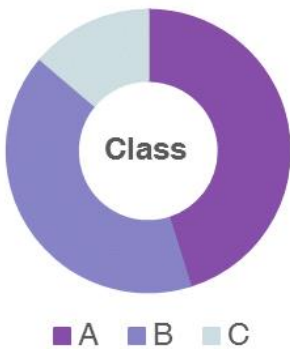
Vacant Space



Net Absolute Rent/ft.<sup>2</sup>



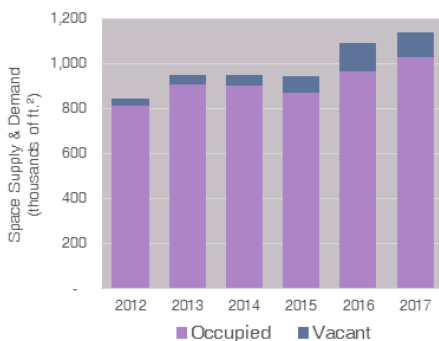
# EAST & WEST ST. JOHN'S NL



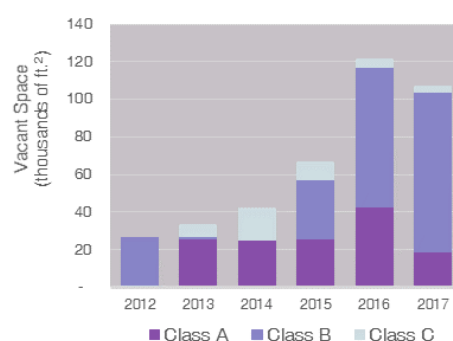
## Year at a Glance

	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	1,087,319	1,136,563	↑ 49,244
Net Absorption (ft. <sup>2</sup> )	89,987	63,831	↓ (26,156)
Vacancy Rate	11.16%	9.39%	↓ -1.77 pp
Avg. Net Rent/ft. <sup>2</sup>	\$19.06	\$18.81	↓ -1.31%
Avg. RTCAM/ft. <sup>2</sup>	\$11.14	\$10.41	↓ -6.55%
Avg. Gross Rent/ft. <sup>2</sup>	\$29.23	\$28.76	↓ -1.61%

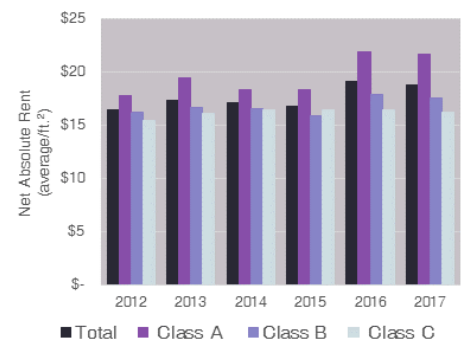
Supply & Demand



Vacant Space



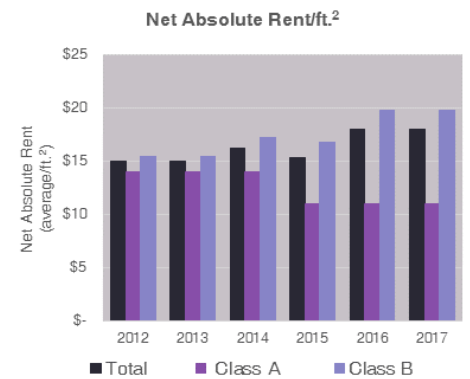
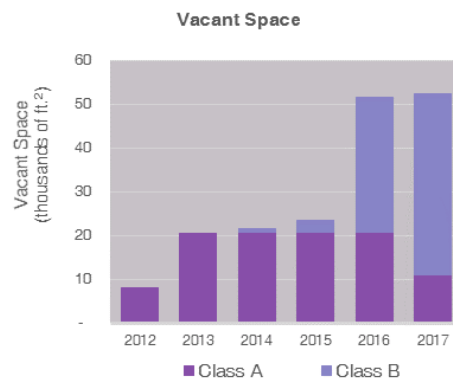
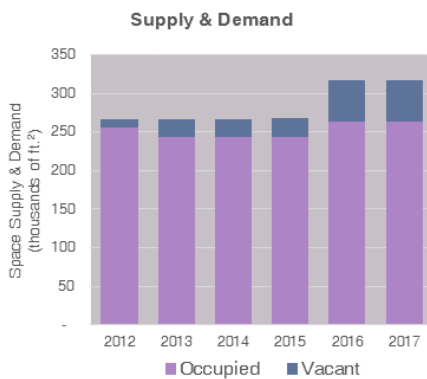
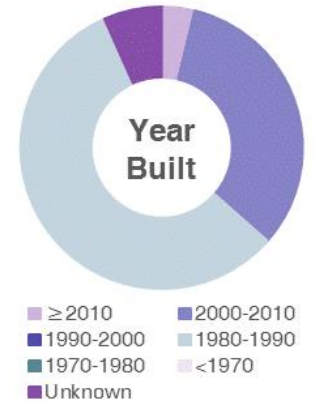
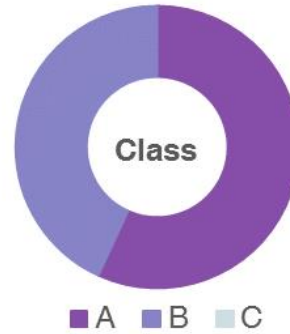
Net Absolute Rent/ft.<sup>2</sup>



# MOUNT PEARL/PARADISE

## Year at a Glance

	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	316,289	316,713	↑ 424
Net Absorption (ft. <sup>2</sup> )	20,427	(566)	↓ (20,993)
Vacancy Rate	16.28%	16.57%	↑ 0.29 pp
Avg. Net Rent/ft. <sup>2</sup>	\$18.00	\$18.00	↔ 0.00%
Avg. RTCAM/ft. <sup>2</sup>	\$7.85	\$6.34	↓ -19.24%
Avg. Gross Rent/ft. <sup>2</sup>	\$24.08	\$24.50	↑ 1.74%





# DEC. 2017 MARKET SURVEY ST. JOHN'S WAREHOUSES

## Year at a Glance

Warehouse	2016	2017	Change
Inventory (ft. <sup>2</sup> )	2,539,570	2,520,342	↓ (19,228)
Net Absorption (ft. <sup>2</sup> )	(13,037)	15,200	↑ 28,237
Vacancy Rate	12.61%	11.34%	↓ -1.27 pp
Avg. Net Rent/ft. <sup>2</sup>	\$10.83	\$10.98	↑ 1.39%
Avg. RTCAM/ft. <sup>2</sup>	\$3.49	\$3.03	↓ -13.18%
Avg. Gross Rent/ft. <sup>2</sup>	\$14.15	\$13.50	↓ -4.59%

## Supply & Demand Overview

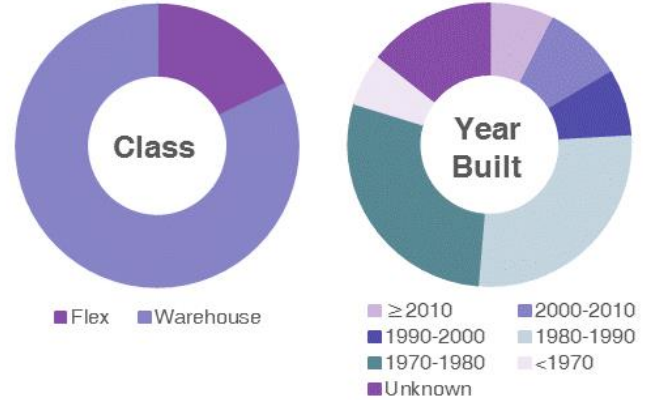
The total amount of rentable warehouse space in Greater St. John's remained decreased 0.76% over last year, due in part to some rental warehouse space changing to owner occupation. The overall vacancy rate decreased from 12.61% in 2016 to 11.34% in 2017. The key driver of space demand is the growth in the provincial real (deflated) Gross Domestic Product. Our analysis of GDP projections indicates that 2018 will see GDP growth of 0.6%, leading to an uptick in demand for warehouse space of 0.3%. With no anticipated new supply coming to market in 2018, the vacancy rate is expected to drop to 11.1%.

Our survey measured the vacancy rate by geographic node. The current vacancy rate in each of the following locations is: St. John's North 9.69%; Central and Downtown 3.07%; St. John's East 9.15%; St. John's West 0.00%; Mount Pearl/Paradise 13.08%; Overall 11.34%.

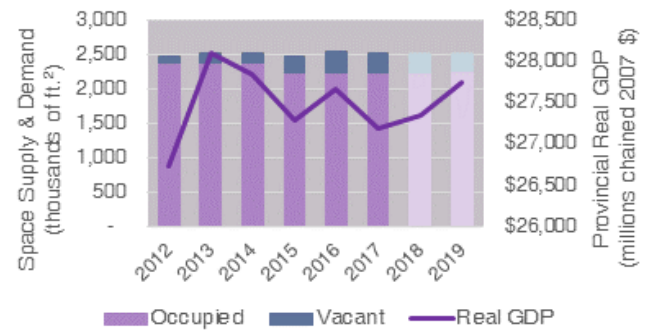
Our survey also measured rental rates. Industrial properties in St. John's saw the overall net absolute rent per square foot increased by 1.39% year over year, to \$10.98 in 2017. The average overall net rental rates per square foot in each of the following locations are: St. John's North \$11.48; Central and Downtown \$11.25; St. John's East \$13.89; St. John's West \$9.50; Mount Pearl/Paradise \$10.42; Overall \$10.98.

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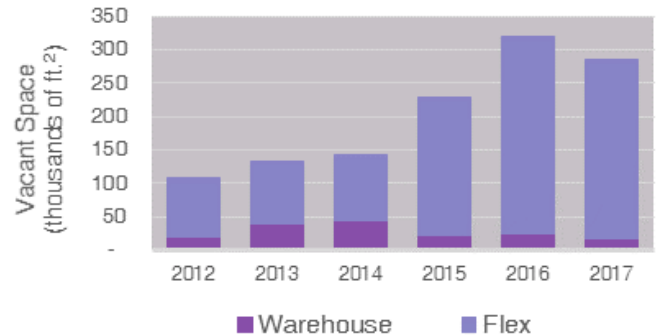
## Overall Warehouse Inventory



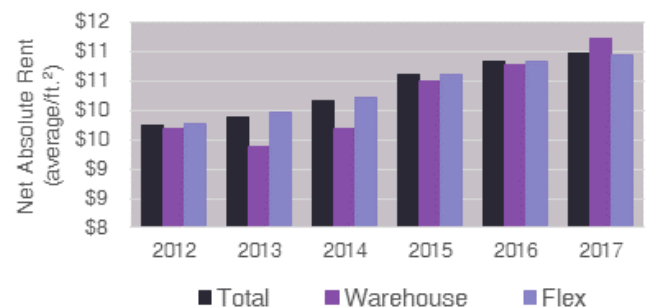
## Supply, Demand & GDP



## Vacant Space



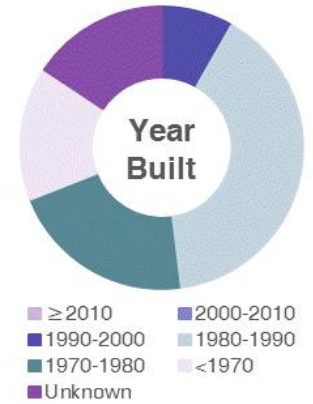
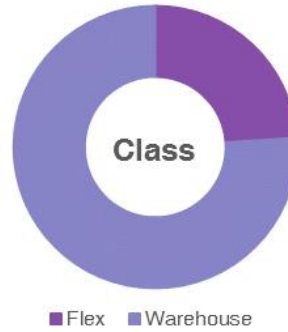
## Net Absolute Rent/ft.<sup>2</sup>



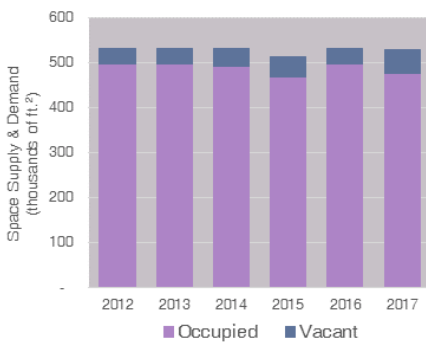
# NORTH ST. JOHN'S NL

## Year at a Glance

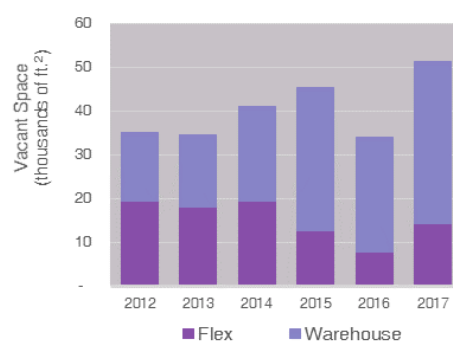
	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	532,096	528,038	↓ (4,058)
Net Absorption (ft. <sup>2</sup> )	30,161	(21,133)	↓ (51,294)
Vacancy Rate	6.41%	9.69%	↑ 3.28 pp
Avg. Net Rent/ft. <sup>2</sup>	\$11.65	\$11.48	↓ -1.46%
Avg. RTCAM/ft. <sup>2</sup>	\$3.92	\$3.67	↓ -6.38%
Avg. Gross Rent/ft. <sup>2</sup>	\$15.41	\$15.36	↓ -0.32%



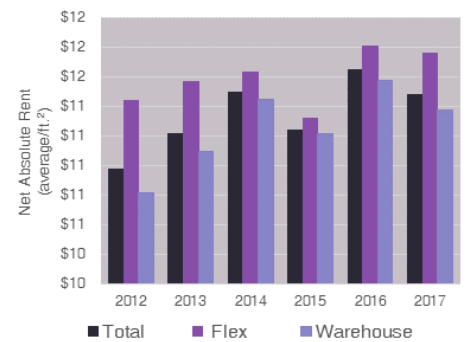
Supply & Demand



Vacant Space



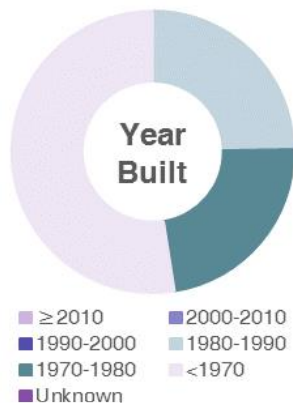
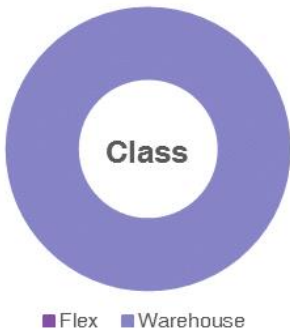
Net Absolute Rent/ft.<sup>2</sup>



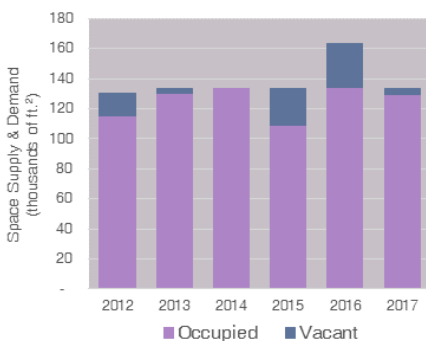
# CENTRAL & DOWNTOWN

## Year at a Glance

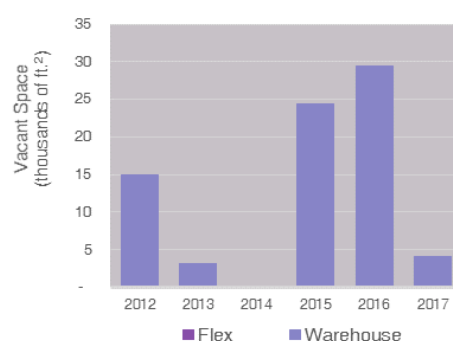
	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	163,396	133,396	↓ (30,000)
Net Absorption (ft. <sup>2</sup> )	24,900	(4,600)	↓ (29,500)
Vacancy Rate	18.05%	3.07%	↓ -14.98 pp
Avg. Net Rent/ft. <sup>2</sup>	\$11.40	\$11.25	↓ -1.32%
Avg. RTCAM/ft. <sup>2</sup>	\$4.32	\$4.54	↑ 5.09%
Avg. Gross Rent/ft. <sup>2</sup>	\$15.45	\$15.79	↑ 2.20%



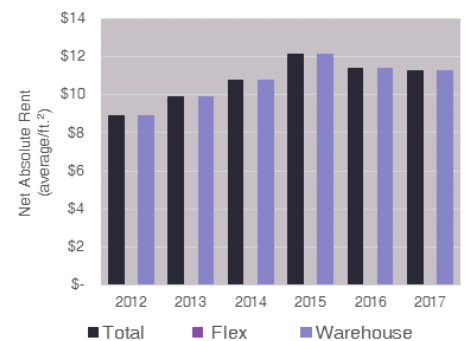
Supply & Demand



Vacant Space



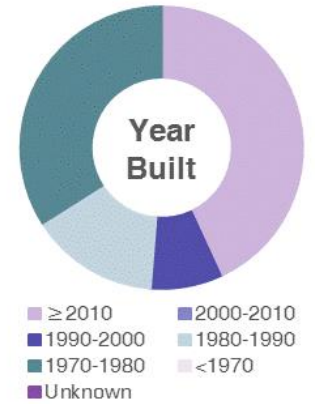
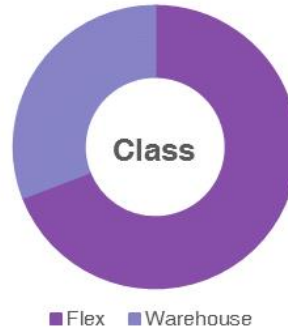
Net Absolute Rent/ft.<sup>2</sup>



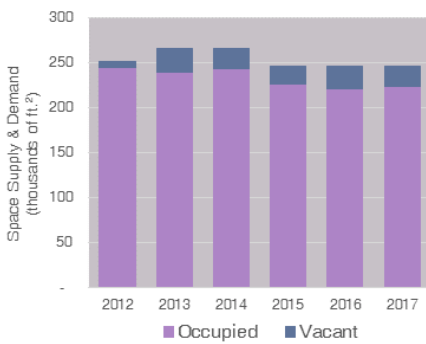
# EAST ST. JOHN'S NL

## Year at a Glance

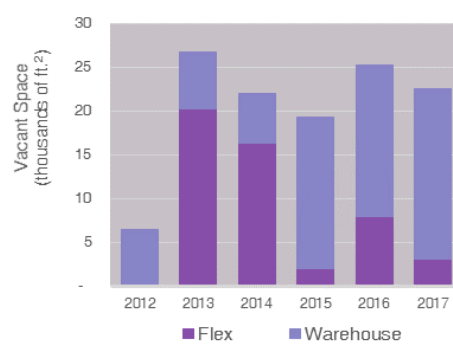
	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	245,717	245,717	↔ ---
Net Absorption (ft. <sup>2</sup> )	(6,026)	2,787	↑ 8,813
Vacancy Rate	10.28%	9.15%	↓ -1.13 pp
Avg. Net Rent/ft. <sup>2</sup>	\$12.81	\$13.89	↑ 8.43%
Avg. RTCAM/ft. <sup>2</sup>	\$5.65	\$4.95	↓ -12.39%
Avg. Gross Rent/ft. <sup>2</sup>	\$18.47	\$18.84	↑ 2.00%



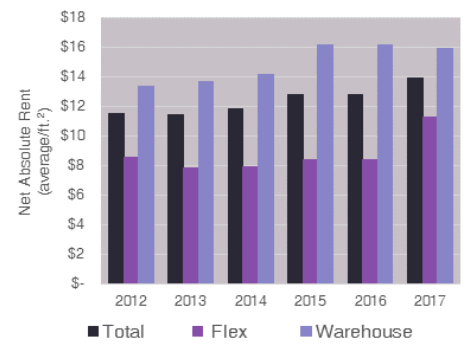
Supply & Demand



Vacant Space



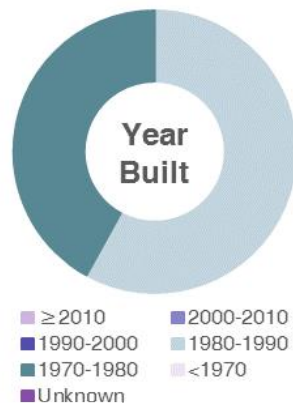
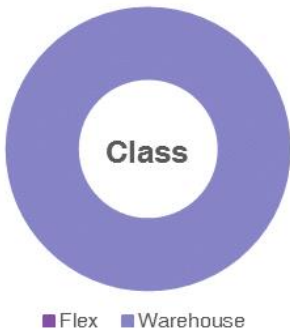
Net Absolute Rent/ft.<sup>2</sup>



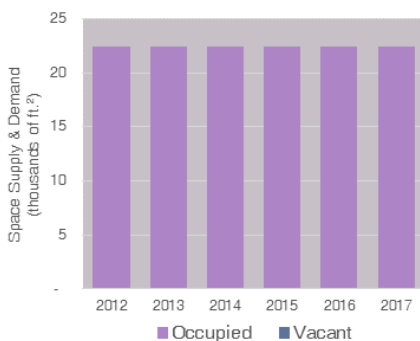
# WEST ST. JOHN'S NL

## Year at a Glance

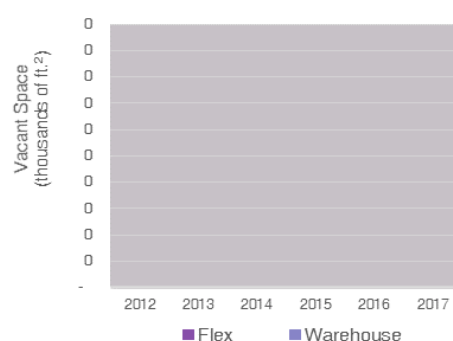
	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	22,397	22,397	↔ ---
Net Absorption (ft. <sup>2</sup> )	---	---	↔ ---
Vacancy Rate	0.00%	0.00%	↔ 0.00%
Avg. Net Rent/ft. <sup>2</sup>	\$9.50	\$9.50	↔ 0.00%
Avg. RTCAM/ft. <sup>2</sup>	\$2.85	\$2.99	↑ 4.91%
Avg. Gross Rent/ft. <sup>2</sup>	\$12.35	\$12.49	↑ 1.13%



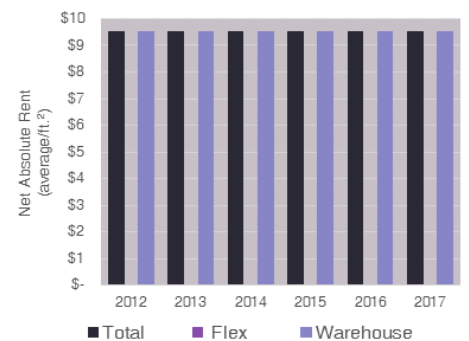
Supply & Demand



Vacant Space



Net Absolute Rent/ft.<sup>2</sup>

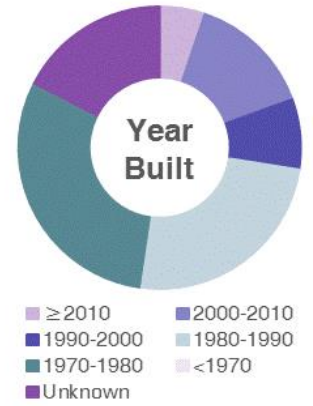
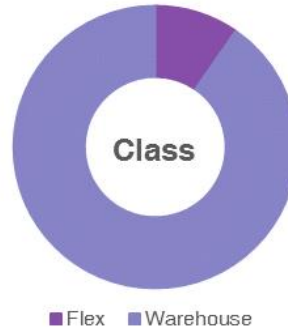




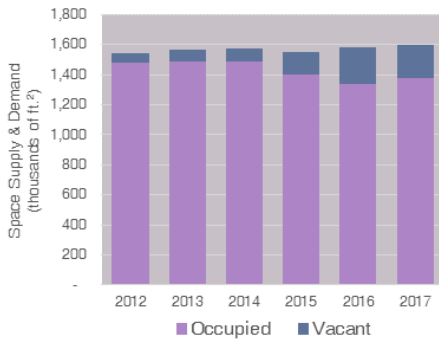
# MOUNT PEARL/ PARADISE

## Year at a Glance

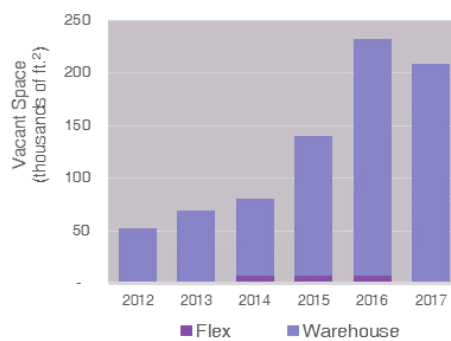
	2016	2017	Change
Office Inventory (ft. <sup>2</sup> )	1,575,964	1,590,794	↑ 14,830
Net Absorption (ft. <sup>2</sup> )	(62,072)	38,146	↑ 100,218
Vacancy Rate	14.69%	13.08%	↓ -1.60 pp
Avg. Net Rent/ft. <sup>2</sup>	\$10.18	\$10.42	↑ 2.36%
Avg. RTCAM/ft. <sup>2</sup>	\$2.93	\$2.45	↓ -16.38%
Avg. Gross Rent/ft. <sup>2</sup>	\$12.90	\$12.01	↓ -6.90%



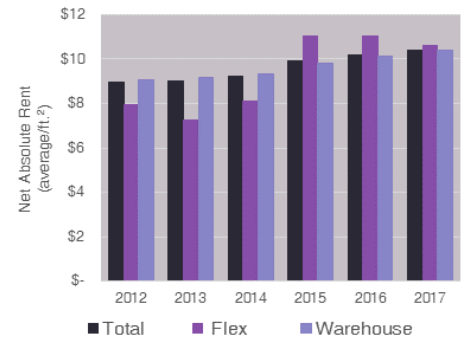
Supply & Demand



Vacant Space



Net Absolute Rent/ft.<sup>2</sup>



# DEC. 2017 MARKET SURVEY ST. JOHN'S NL OFFICES & WAREHOUSES

## Glossary

**Inventory/Supply:** The total rentable area of office or warehouse space in the rental market, occupied or vacant.

### **Building Class:**

**Office Class** - This is the industry definition common to this particular marketplace.

**Class A** - These office buildings command the highest rents, have “presence” by virtue of their distinctive design and lobbies, are air-conditioned and sprinklered. They are regarded as “prestige” buildings in their marketplace and are usually the most modern buildings. They typically include the leading firms of lawyers and accountants, together with regional or head offices for banks, financial institutions and other major companies, as their tenants.

**Class B** - These are “second tier” office buildings in terms of rents. They are usually older than Class A buildings and lack “presence”. They are air conditioned and are usually sprinklered. They are regarded as offering modern, but not “prestige” office accommodation in their marketplace. Typically they were built over 20 years ago. Tenants usually include second tier firms of lawyers and accountants, together with a wide selection of private sector companies, provincial and local government agencies.

**Class C** - These include all office buildings not classed as “A” or “B”.

**Class W** - Distribution warehouse

**Class F** - Flex space. This type of space may be used for retail or office use as an alternative to pure warehousing and is typically located at the entrance to a business park in an area with high traffic exposure.

## Income & Expense Data:

**Net Absolute Rent** - This is often referred to as “AAA” or “Base” rent and does not include Realty or Business Occupancy Taxes, Common Area Maintenance (CAM), or any other services such as Electricity, Cleaning or Heating.

**Current Realty Taxes** - These are the Realty Taxes (not the Business Occupancy Taxes) currently paid by the Landlord and which are recovered from the Tenant usually as part of the Service Rent.

**Current CAM** - This is the additional amount recovered by the Landlord from the Tenant to cover the operating and maintenance costs of the building including the tenant suites. Common Area Maintenance (CAM) typically includes fire insurance, repairs and maintenance, cleaning (common areas plus often the tenant suites), electricity (common areas plus often the tenant suites), heating and air conditioning (common areas plus often the tenant suites), water, garbage removal, snow clearing, elevator maintenance, management, security, etc. It, together with the Realty Taxes, is recovered by the Landlord from the Tenant as “Service Rent”, if the Tenant has a “net absolute” lease.

**Total Realty Taxes + CAM (RTCAM)** - This is the total of the Realty Taxes and CAM, and is often recovered from the tenant as “Service Rent”.

**Total Gross Rent** - This is the total rent recovered from the Tenant by the Landlord and is the total of the Base (Net Absolute Rent) plus the Service Rent (Realty Taxes + CAM).

**Vacancy Rate** - The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased.

**Absorption** - This is the amount of additional space absorbed by the market during that period. It is the incremental market demand.